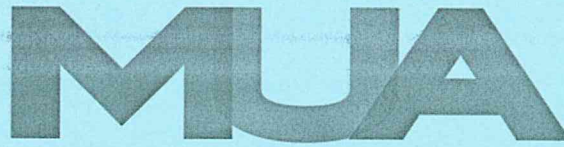


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**UNDERGRADUATE UNIVERSITY EXAMINATIONS**  
**SCHOOL OF MANAGEMENT AND LEADERSHIP**  
**DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP**

**BML 211 : MONEY AND BANKING**

**DATE: 3<sup>RD</sup> DECEMBER 2015**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.



**QUESTION ONE**

**Read the Case Study below carefully and answer the questions that follow:**

Money markets is a Market for short-term debt securities, such as banker's acceptances, commercial paper, repos, negotiable certificates of deposit, and Treasury Bills with a maturity of one year or less and often 30 days or less. Money market securities are generally very safe investments which return a relatively low interest rate that is most appropriate for temporary cash storage or short-term time horizons. Bid and ask spreads are relatively small due to the large size and high liquidity of the market.

A capital market is a Market for long-term debt securities. Capital markets include the stock and bond markets. Companies and governments use capital markets to raise funds for their operations; for example, a company may issue an IPO while a government may issue a bond in order to conduct new or expand ongoing activities. Investors purchase securities in the capital markets in order to extract a return and earn profit on the securities. Capital markets include primary markets, such as IPOs that are placed with investors through underwriters, and secondary markets, in which all subsequent trading takes place. Government agencies in different countries regulate local capital markets, though some, especially exchanges, play some role in regulating themselves.

**Required:**

- a) Identify and explain five (5) types of instruments that are traded in the Money Market (10 Marks)
  
- b) List five (5) Major functions of the Capital Market. (5 Marks)
- c) Money market is an important part of the economy. It plays very significant functions. As mentioned above it is basically a market for short term monetary transactions. Thus it has to provide facility for adjusting liquidity to the banks, business corporations, non-banking financial institutions (NBFs) and other financial institutions along with investors. List five (5) Major functions of the Money Market (10 Marks)



**QUESTION TWO**

- a) Clearly discuss four (4) factors against financial sector regulation (12 Marks)
- b) Explain the three (3) benefits of deposit insurance to depositors (3 Marks)

**QUESTION THREE.**

- a) Using a table show the five (5) main differential points between conventional banking and Islamic banking. (10 Marks)
- b) Enumerate the five (5) benefits of deposit insurance to financial system (5 Marks)

**QUESTION FOUR.**

- a) Clearly explain the three functions of Money (6 Marks)
- b) Identify & evidently explain six (6) characteristics of Money (12 Marks)
- c) Differentiate between Commodity money & Fiat Money (7 Marks)

**QUESTION FIVE.**

- a) Explain 8 ways in which a bank can lend money to a customer (8 Marks)
- b) Describe four (4) various Sources of a banks income (4 Marks)
- c) Differentiate between riba and Interest (3 Marks)

**QUESTION SIX.**

- a) Discuss six (6) primary functions of commercial banks (12 Marks)
- b) Differentiate between an Overdraft facility and Cash credit (3 Marks)